No. 242.

Brief of McCammon

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# Supreme Court of the United States.

OCTOBER TERM, 1900.

No. 242.

ANDREW H. RUSSELL, ET AL., APPELLANTS,

*vs.*

THE UNITED STATES.

Appeal From the Court of Claims.

## BRIEF FOR THE APPELLANTS.

JOS. K. McCAMMON,
JAMES H. HAYDEN,
*Of Counsel for the Appellants.*

IN THE

# Supreme Court of the United States.

OCTOBER TERM, 1900.

ANDREW H. RUSSELL ET AL., APPELLANTS,

*v.*

THE UNITED STATES.

*No.* 242.

## BRIEF FOR THE APPELLANTS.

### STATEMENT OF THE CASE.

This is an appeal from the judgment of the Court of Claims by which the defendant's demurrer was sustained and the petition dismissed (p. 19).

The claimants are seeking to recover compensation for the use of their patented invention, by the United States.

There was no express contract, but the claim is founded upon a contract to be implied from the transactions of the parties and the circumstances under which the use of the invention was made. In compliance with a rule of the Court of Claims,* these transactions were fully set

*Rules, Court of Claims, 16, p. 6:

"If it (the claim) be founded upon an implied contract, the facts upon which the claimant relies to prove a contract, must be specified."

forth in the petition (pp. 1–16). By demurrer the United States contended that the facts did not constitute a cause of action (p. 16).

These are the facts relied upon :

Prior to and throughout the period covered by the transactions in question, the claimants were the owners of United States letters patent, No. 230,823. This patent had been granted to the claimant Russell for his invention of an improvement in magazine fire-arms (p. 1).

In 1881, a Board of Army officers was convened to test magazine rifles, having in view the adoption of one for the use of the Army. The board was under no obligation to adopt any of the rifles tested by it, and was at liberty to adopt one embodying features of two or more devices. An advertisement was published, by which inventors and patentees were invited to present their rifles to the board. Among those who responded to this invitation were the claimants, who presented two rifles. These were somewhat different in design, but both embodied the inventions described in the claimants' patent. No rifle was adopted at that time (pp. 1–2).

In 1890 a similar board was convened. To it the claimants presented among others the rifles which they had presented to the board of 1881. They were not tested or reported upon, because their calibre differed from that desired by the Army in 1890, but their mechanisms were fully explained to the board by the claimant Russell (pp. 1–2). Among others, the Krag-Jorgensen Gevaerkompagni of Christiania, Norway, presented a rifle to the board of 1890. It was provisionally adopted for the military service about September 15, 1892. Certain features covered by the claimants' patent which were embodied in the rifles presented by them in 1881 and again in 1890 were also embodied in the Krag-Jorgensen model (p. 2)

On November 16, 1892, the claimants wrote to the Bureau of Ordnance, saying that these features of the Krag-Jorgensen model, were covered by their patent, and were not protected by the later patents owned by the Krag-Jorgensen Gevaerkompagni; wherefore the claimants asked that, in awarding royalties for the use of patented inventions embodied in the rifle adopted the Bureau consider their patent and provide for their compensation (pp. 2, 6–7).

On November 18, 1892, the Bureau of Ordnance replied: It did not deny the validity of the claimants' patent, or the fact that their invention was embodied in the device adopted, and did not refuse to regard their patent or to provide for their compensation. It advised them that no "business arrangements" had been made with the Krag-Jorgensen Gevaerkompagni. It assured the claimants that one of two things would be done. Either the company would indemnify the United States in such a manner that the claimants would be provided with a remedy to be obtained from the company, or else, the United States would proceed to manufacture without such an arrangement; in which event the claimants' remedy would be "*to bring suit in the Court of Claims after the manufacture had progressed*" (pp. 2, 7).

Further correspondence followed between the claimants and the Bureau of Ordnance, which in no way changed their status (pp. 2–3, 7–9).

Finally, on July 7, 1893, the Bureau of Ordnance requested the claimants to present a full and explicit statement of their claim, in writing, to be filed for future reference, because the matter was not one that could be determined by the Bureau (pp. 3, 15). In compliance with this request, the claimants furnished a statement of their claim, which was filed in the Bureau "for future reference" (pp. 3, 10–13).

On June 7, 1893, the Krag-Jorgensen Gevaerkompagni entered into a contract with the United States. The company thereby licensed the United States to manufacture and use an unlimited number of rifles of the design which had been adopted, as above related. The company warranted that its patents fully covered all portions of the device not open to public use. The United States agreed to pay a royalty upon each rifle manufactured. It was further agreed that before any royalties were paid the company it should furnish a bond in the sum of $25,000, conditioned for the indemnification of the United States against all suits and claims, by any persons, for the infringement of their patents in the manufacture of the rifles, and for the payment of all judgments which might be obtained against the United States on that account (pp. 3–4, 14–16).

Thereafter the United States proceeded with the manufacture of the rifles. They were first introduced for service in the Army about January 1, 1894 (p. 4). Between that day and that of the commencement of this suit upwards of 75,000 of them were manufactured and used by the United States (p. 5).

As the manufacture progressed, the United States accounted to the Krag-Jorgensen Gevaerkompagni for royalties, but the company failing to give bond as required by the contract, the United States, with the company's consent, from time to time, retained sums for its indemnity, which otherwise would have been payable to the company as royalty. On June 16, 1896, the Krag-Jorgensen Gevaerkompagni furnished a bond which was accepted by the United States, and all moneys theretofore withheld were paid over to the company. The condition of the bond was that, having licensed the United States to manufacture an unlimited number of Krag-Jorgensen rifles, under

the company's patents, the company would indemnify the United States and its agents on account of patent rights granted by the United States which might affect their right to manufacture the rifle, and would defend the United States against suits and claims for the infringement of such patent rights and pay all judgments obtained therein against the United States (pp. 4–5).

The United States has paid the claimants nothing, although due demand has been made (p. 6).

*Specifications of Error.*

The errors of the Court of Claims assigned by the appellants and intended to be urged are these:

1. The said Court erred in sustaining the defendant's demurrer.

2. The said Court erred in dismissing the petition.

3. The said Court erred in ruling that the petition did not allege facts sufficient to constitute a cause of Action.

*Argument.*

Recent decisions of this Court and of the Court of Claims made it incumbent upon the claimants to establish a contract, by which the United States agreed to allow them such reasonable compensation as might become due them for the use which it had made of their property. We submit that such a contract is to be implied from the facts just stated.

It cannot be considered that the military board invited inventors to present their devices with the intention of defrauding or injuring them. On the contrary, the implication arises that the United States intended to pay any inventor who offered his property and whose property was

subsequently taken. The claimants, in 1881, offered their patented invention, or its embodiment, in the form of two rifles. To be sure, neither of these was adopted by the board of 1881; but neither was the entire mechanism of either condemned. In 1892, the same rifles were presented to the second military board, and their mechanism was fully explained, and the board knew that the claimant Russell had obtained a patent upon the various inventions embodied in the rifles. Neither of these rifles was tested by the board or reported upon, because they were not of the prevailing calibre (Report of the Chief of Ordnance, 1892, p. 155), but the difference in the bore of the barrels certainly did not prevent the board from observing the breech mechanisms and the magazines. The board of 1892 recommended the adoption of the rifle presented by the Krag-Jorgensen Co. It did not assume to say that the device was novel, or that it did not infringe the claimants' patent, or any one else's patent. The rifle was recommended as an entirety because it worked to the satisfaction of the board. The board was not competent to pass upon such questions and did not do so.

On November 16, 1892, the claimants having learned that the Krag-Jorgensen rifle was to be adopted for the military service, wrote to the Chief of Ordnance, saying (Ex. A, pp. 6, 7), that a part of its mechanism embodied inventions described in and protected by their patent. They did not forbid the United States to use their invention, or say that its use by the United States would be a violation of their rights. They tacitly assented to such use, and merely requested the United States to allow them reasonable compensation (pp. 2, 6–7, Exhibit A). It cannot be denied that by these acts the claimants offered the United States the right to use their inventions, and that it was understood by the Ordnance Bureau that the claimants ex-

pected to be paid reasonable compensation for any such use.

On November 18, 1892, the Chief of Ordnance replied to the claimants' letter of the sixteenth. He said that the Government had not completed its arrangements for the manufacture of the rifle adopted; that these arrangements, when completed, might provide the claimants with a means of getting their compensation from the Krag-Jorgensen Co.; or, that the claimants might obtain any compensation to which they became entitled, by a suit to be brought in the Court of Claims after the manufacture had progressed—in other words, might sue the United States in an action of assumpsit. (Ex. B, p. 7.)

It appears that the Government did not adopt the first alternative and provide the claimants with a means of obtaining compensation from the Krag-Jorgensen Co. The bond of indemnity given by the company to the United States is so worded that only the United States could sue upon it. It is to be presumed that the second,—the only remaining alternative,—was adopted.

This was not a rejection of the claimants' offer. There was no ambiguity either in the Bureau's letter or the course pursued by the United States. To be sure the letter did not contain a positive agreement to pay the claimants a definite royalty; but we are not called upon to prove an express contract. The letter was a conditional acceptance, saying that the United States would pay or would see that the claimants were paid for the use of their invention, provided that such a use were made.

The correspondence which ensued between the claimants and the Chief of Ordnance shows that such was the intention of the United States. If this had not been so, and the Government had not intended to recognize the claimants' rights, or even to maintain an attitude of neu-

trality toward them, why did the Chief of Ordnance ask the claimants for a detailed statement of their case "for future reference"? Why did not the Chief of Ordnance advise the claimants that the Government did not wish to deal with them, instead of saying, "The case cannot be determined by the Ordnance Department"? (p. 10, Exhibit H). Why did the United States, which is not and never has been held liable to suit in actions sounding in tort, require the Krag-Jorgensen Co. to indemnify it against liability on account of judgments obtained for the use of patent rights, which might affect the right of the United States to manufacture rifles of the so-called Krag-Jorgensen type? (pp. 3–4 and 14–16).

In the court below the defense contended that the Chief of Ordnance did not intend to accept the claimants' offer, and probably wrote as he did because he did not know that the United States could not be sued in actions sounding in tort. That is a preposterous proposition. The general jurisdiction of the Court of Claims in 1892, was governed as it has been since March 3, 1887, and as it is now, by the Tucker Act, and earlier statutes. These statutes had been passed upon by this Court in similar cases. All persons, even Government officials, are presumed to know the law, and their actions are to be interpreted in accordance with that presumption.

The petition is clear in showing that after the above correspondence had passed between the claimants and the Chief of Ordnance, the United States proceeded to manufacture and use in its military service large numbers of the rifles embodying the invention described in the claimants' patent. This act fulfilled the condition of the Government's acceptance of the claimants' offer.

Hence we have established the essential elements of a contract: Proper parties; proper subject-matter; an offer;

a conditional acceptance, and the fulfilment of that condition.

The claimants are here seeking an adjustment of their compensation as proposed by the Chief of Ordnance in his letter of November 18, 1892 (Exhibit B, p. 7).

In many cases, where the ultimate facts were practically identical with those under discussion, this Court and the Court of Claims have held that the claimant was entitled to recover as upon an implied contract.

In the case of *Butler* v. *United States* (23 *Ct. Cl.* 335), the Court of Claims found as a fact that the custom of the Bureau of Ordnance with respect to the adoption and use of patented inventions, was this:

> "Needed improvements in the service arms are suggested or developed during the progress of manufacture by officers of the Ordnance Department, and often by officers of the line of the army after actual trials in the hands of troops. The changes thus suggested, if promising, are put on a few arms, and after extended and thorough trials at the place of manufacture to prove their utility, a number are made, embracing the changes suggested, for experimental purposes, and placed in the hands of troops for actual trial, and in the event of such trials proving satisfactory the changes are adopted and put on all arms issued to the service. Needed improvements have been added from time to time, regardless of the fact that the same may be *infringement* of patent rights." (Finding V, p. 337.)

It appeared that Butler offered the use of his patented invention to the Government. The War Department did not procure a license from or hold any communication with him. The Government manufactured and used devices embodying the invention. The court gave judgment for the claimant in a sum which it fixed upon as reasonable compensation for the use of the invention. It was said:

> "The liability of the Government in this case arises exclusively from its own acts."

Here, then, a contract was implied from nothing more than a neutral absorption and beneficial use of the claimant's property by the United States. In the case at bar the petition alleges more than this. Positive acts were done by the claimants as well as by the Government. There was a tender by the claimants, a promise by the Government that the claimants' rights in the premises should be protected, either by right of action against the United States in the Court of Claims, or by indemnity to be taken for their benefit by the United States, and thereafter a beneficial use by the Government of the claimants' property.

In the case of *Berdan Fire Arms Manufacturing Co.* v. *United States*, this Court and the Court of Claims found that the custom of the Bureau of Ordnance was this:

> "The War Department is early and regularly informed of all improvements and inventions in fire-arms and ammunition. It is aware of the state of the art at all times, and generally knows of all patents upon fire-arms as soon as issued. *The attitude of the War Department towards inventors in ordnance has been one of neutrality; it has neither denied nor admitted the legal rights, if any there were, of inventors; in an endeavor to perfect the Government arm, that Department has taken advantage of all knowledge within its reach and of all inventions; it does not deny the claims of inventors, but has proceeded upon the policy that executive officers should not decide upon such claims against the Government or upon conflicting claims; but that the claims should be presented, without prejudice, before some other tribunal than an executive department.*"
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> 156 *U. S.* 552, 558.
> 26 *Ct. Cls.* 48, 60.

It appeared that Berdar presented his device to a board of Army officers, and urged its adoption. The officers of the Ordnance Department were acquainted with Berdan's inventions and knew that he had patented them. The parties were in constant communication and Berdan gave notice that he should expect compensation for the use of his inventions. General Benét, who became Chief of Ordnance some time after the manufacture of the Government's device began, believed that it was identical with, or the mechanical equivalent of that patented by Berdan. He proceeded with the manufacture, believing that, if his opinion of the device were correct, "the Government would pay for the use of the invention through the instrumentality of the courts."

It was said (26 *Ct. Cls., pp.* 78–79):

> "We find then, in these facts, a tender of the device to the Government, and a use of the device knowingly in the belief that the Government would be called on to pay royalty for the device, provided the understanding of the Chief of Ordnance was correct—that is, provided the Government was doing what he believed they were doing—manufacturing and using plaintiff's device or its mechanical equivalent.
>
> "The use by the Government was not a mistaken use, for the Chief of Ordnance understood he was doing what we have decided he was doing, to wit, using plaintiff's device. It was not an unauthorized use, for the Chief of Ordnance has a very broad power in matters of this description (R. S. U. S., Sec. 1164). It was not a use in ignorance, for the Chief of Ordnance was fully informed of all the facts; it was not an antagonistic use, for plaintiffs were anxious that defendants should adopt and use their devices.
>
> "The only element of doubt seems to have been whether the ordnance officers should decide finally

what they believed to be true, that plaintiffs were entitled to compensation, or whether they should leave that matter to the courts or to some other competent authority. We are of opinion that under the rulings of the Supreme Court and of this court, heretofore cited, the facts disclose a contract between the parties to this action, for the use of the extractor-ejector device."

At the hearing of the present case in the court below, the defense contended that the custom of the Bureau of Ordnance, under which it preserved toward all patentees an attitude of neutrality, had been abandoned, and that after the decisions were rendered in the cases of *Butler* v. *U. S.*, and *Berdan Co.* v. *U. S.*, the Bureau concluded to regulate such matters for itself, without enlightenment from the courts and without regard to the rights of inventors. In other words, that the Bureau decided to take whatever it pleased, and pay whomsoever it pleased.

The transactions of the parties, set out in the petition, do not disclose such an intention on the part of the Bureau of Ordnance. If such had indeed been its intention, it would not have amounted to a change of custom, for a custom must not violate the law; it cannot be unreasonable; and it cannot be established by the undisclosed wishes of one party. We submit that the custom of the War Department as found in the cases cited must be taken as a guide, in the decision of this case.

A most thorough and scientific consideration of the liability of the Government to compensate patentees for the use of their inventions is contained in the opinion of the Court of Claims in the case of *McKeever* v. *United States* (14 Ct. Cl. 396). McKeever, an officer of the Army, was the owner of two patents for improvements in mili-

tary equipment. He presented his devices to a board of Army officers, through the Chief of Ordnance. The board recommended the adoption of the device, and this was approved by the Secretary of War. The board believed that in adopting McKeever's device, the Government would not be liable for royalty; but this was not stated in their report, nor communicated to McKeever. McKeever made inquiry of the Chief of Ordnance, concerning the adoption of his device, saying:

"It is a matter of interest to me."

He was informed that the device had been adopted, but that it would be used to a very limited extent. Thereafter, McKeever asked that the devices manufactured be marked "Patented," in accordance with the Act of July 8, 1870. This the Chief of Ordnance refused to do. In one respect, McKeever's invention was anticipated by a patent of earlier date. The defense maintained, among other things, that if McKeever had any rights in the premises, he could maintain an action against the officers of the United States, who had *infringed* his patent, and that "there could be no waiver of the tort so as to give the court jurisdiction." The court held that under the Constitution and laws of the United States, the property rights of a patentee in his invention are to be treated in no other way than those of the owner of other property. It was said (pp. 423-424):

> "The counsel for the defendant also insists that the action of the Government in resorting to the claimant's invention was either a tort or a user under gratuitous license from him. We are unable to adopt either of these extreme views. When a vendible article, such as ordinarily is the subject of bargain and sale, is offered by a producer to a consumer, though with no price specified, and is accepted and

used by the latter, it is not to be supposed, on the one hand, that the offer was intended as a gift *inter vivos*, nor implied on the other that the taking was with tortious intent."

. . . . . .

"If the Quartermaster General had appointed a board to select a wood lot for the fuel of the army, and a farmer had written to him recommending his wood, and the board had reported in favor of it, and the Quartermaster Department had proceeded to cut and use the wood, can it be supposed that this would be deemed a tortious taking on the part of the Quartermaster General, or a gratuitous license on the part of the farmer? Yet this is a mere paraphrase of the facts in this case. The claimant had gone to the expense of turning his invention into property; it was an article salable almost exclusively to the Government; his offer imported a desire to sell to almost the only purchaser of such articles; the defendant's officers considered and acted upon his offer, and adopted and used his design. If they proceeded and he allowed them to proceed without the formality of an express license or the precaution of an express consideration, the omission did not change the character of the transaction, for the law supplies by implication a price in giving what the license was reasonably worth."

The judgment of the Court of Claims was affirmed on appeal, by this Court, without an opinion (*McKeever* v. *U. S.* 18 *Ct. Cls.* 757–758).

Certainly the petition in the case at bar recites facts from which a contractual status may be implied quite as clearly as from those found in McKeever's case. The correspondence of the parties differs only in this: that McKeever did not actually claim compensation before the United States proceeded to use his invention. Russell and Livermore did claim compensation. The Chief of the

Bureau of Ordnance did not promise McKeever compensation. To Russell and Livermore he did promise that they would have an opportunity to show whether their property was taken, and upon doing so would be paid for it.

In such a case as this the position of the United States is not the same as that of an individual who has used another's patent. In its opinion in the case of *Kelton* v. *U. S.* (32 *Ct. Cls.* 314–341), the Court of Claims said:

> "McKeever's (14 Ct. Cl. 396) is the leading case of actions brought on implied contract to recover for the use of an invention; the first case *where an inventor recovered for what, as between individuals, would be an infringement of his patented device.*"

The Government, then, is not to be presumed guilty of wrong in all cases where it might be imputed to an individual. Where the Government has been paid the lawful fees for granting a patent, and has granted it, and the use of the invention patented has been offered the Government, at its request, and the Government has recognized the proprietary rights of the patentee, conditionally or unconditionally, and thereafter has made beneficial use of the invention, the Government's course is presumed to have been actuated by honest, not dishonest, motives. It is presumed that the Government intended and agreed to pay for what it enjoyed, rather than that it took what it pleased regardless of individual rights, and in violation of Article V of the Amendments to the Constitution.

There are other pertinent and valuable authorities among the opinions of this Court. We cite them without discussion, because they are well known.

*United States* v. *Burns*, 12 *Wallace*, 246.
*Cammeyer* v. *Newton*, 94 *U. S.* 225.
*United States* v. *Palmer*, 128 *U. S.* 262.

The Government will undoubtedly rely upon the decisions in the case of *Schillinger v. United States* (24 *Ct. Cls.* 278), and (155 *U. S.* 163). In these, it appeared, either that there had been a mere naked use by the United States of an invention, without presentation by the owner, and without recognition by the United States, conditional or unconditional; or else that there had been an outright infringement, accompanied by a denial of the use. In such cases the petitions were dismissed because the Court of Claims had not jurisdiction in causes sounding in tort. We submit that these are not pertinent authorities.

The Government may endeavor to make capital out of the occurrence of the words "infringed" and "infringement," in the correspondence between the claimant Russell and the Bureau of Ordnance. In each instance where one of these words is found, it was used to describe the rifle manufactured by the Krag-Jorgensen Gevaerkompagni and presented to the board of 1892. No such term was applied to the prospective use of the claimants' invention by the United States. Even if this very technical defense had some foundation in fact, which it has not, the purport of the correspondence is too plain to permit the loose expressions of a layman to distort it. The first letter of the Chief of Ordnance, wherein he recognized the claimants' rights (pp. 2, 7), shows clearly that the Government had no intention of infringing the claimants' patent. That letter promised that, if the patents were "*used*" (p. 7), such use would be paid for upon the claimants' making proof of the use, in a suit to be brought in the Court of Claims. The claimants never protested against the use of their invention, but invited it. They never expressed dissatisfaction with the Government's suggestion that they could "bring suit in the Court of

Claims after manufacture had progressed" (p. 11). They objected to nothing except being left to seek an impossible "remedy for infringement" of their "patent against the Krag-Jorgensen Company," which had no intention of engaging in the manufacture of rifles, and hence would not use the claimants' patent, and which was a foreign corporation utterly irresponsible and inaccessible to the process of the courts of the United States.

We submit that the petition states a cause of action founded upon an implied contract, and that the judgment of the Court of Claims should be reversed.

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*Of Counsel for the Appellants.*